

County of Santa Clara
Santa Clara Valley Health & Hospital System
Agency Administration
Financial Services



HHS10 062409


Prepared by: Grace M. Semana
Health Care Finance Analyst Associate

Reviewed by: Hope Ryan
Enterprise Fund Budget Manager

Submitted by: Nancy Kaatz
Chief Financial Officer

DATE: June 24, 2009

TO: Board of Supervisors

FROM: 
Kim Roberts
SCVHHS - Chief Executive Officer

SUBJECT: Resolution Establishing New Inpatient Hospital Room Rates

RECOMMENDED ACTION

Adopt the Resolution establishing inpatient hospital room rates effective July 1, 2009 for Santa Clara Valley Medical Center, including the Barbara Arons Psychiatric Facility. (Roll Call Vote)

FISCAL IMPLICATIONS

The recommended room rates represent an overall average increase of 10%. The projected revenue impact of \$7.5 million is included in the FY10 recommended budget.

REASONS FOR RECOMMENDATION

On an annual basis, Santa Clara Valley Medical Center (SCVMC) reviews its inpatient charges per day relative to operational expense increases and third-party reimbursement. Annual charge increases are required to keep up with annual cost increases and are built into insurance contract assumptions. Not increasing charges would potentially result in decreased net results from insurance contracts.

The current accommodation rates for SCVMC were increased on July 1, 2008. Over the past three years, costs have increased an average of 10.8%. To maximize the recovery of operational costs and meet the requirements of third-party government payors, it is prudent to increase rates at this time.

In addition, as patient care and other costs increase, it is standard practice for hospitals to increase charges. Contract insurance plans that reimburse as a percentage of charges anticipate these charge increases and require adjustments to contract stop-loss provisions to limit the impact to a pre-specified level. To the extent that charges are not increased to the specified level, reimbursement will be foregone.

Even with the proposed increase, the charges at SCVMC remain at or below average for comparable hospitals. Programs such as the Ability to Pay Determination (APD) safeguard low income patients from these increases.

BACKGROUND

County Ordinance Section A18-5 provides that inpatient hospital room rates be established by resolution of the Board of Supervisors. The current room rates were approved by the Board on June 24, 2008 and became effective on July 1, 2008.

CONSEQUENCES OF NEGATIVE ACTION

Failure to approve these actions will result in charges not keeping pace with cost increases, and would not allow SCVMC to maximize reimbursement under its insurance contracts.

ATTACHMENTS

- Inpatient Room Rates Resolution